

Message Text

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C O N F I D E N T I A L AMMAN 2330

E.O. 11652: GDS

TAGS: EFIN, JO

SUBJECT: RECENT BUDGET DEVELOPMENTS

REFS: (A) AMMAN 7771, 12/31/74

(B) AMMAN 0591

1. INTRODUCTION AND SUMMARY: THIS REPORT INCLUDES ADDITIONAL INFORMATION AND RECENT BUDGET DEVELOPMENTS NOT INCLUDED IN OUR FIRST REPORT ON GUJ 1975 BUDGET (REF. A). INCREASE IN REVENUES FROM PHOSPHATES IS MAIN REASON FOR HIGHER TOTAL REVENUES. GROWTH IN EXPENDITURES IS DUE PRIMARILY TO HIGHER ALLOCATION FOR CAPITAL PROJECTS, ALTHOUGH FOOD SUBSIDIES AND HIGHER SALARIES ALSO CONTRIBUTE TO INCREASE. UNLESS OTHERWISE SPECIFIED, MOST RECENT 1974 CASH FLOW FIGURES ARE USED FOR COMPARISONS.

2. RECEIPTS: SHARP INCREASE IN 1975 DOMESTIC REVENUES, UP 41 PERCENT FROM 1974, IS DUE CHIEFLY TO PHOSPHATES. PHOSPHATE EXPORT TAX WAS RAISED FROM JD 6 PER TON TO JD 11 PER TON EFFECTIVE JANUARY 1, 1975. ROYALTY REVENUES (THE PHOSPHATE EXPORT TAX AND PAYMENTS FORM TAPLINE) CONFIDENTIAL

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ARE UP FROM JD 8.6 MILLION LAST YEAR TO JD 29.9 MILLION

IN 1975. MOST OF THESE REVENUES, JD 27.5 MILLION, ARE TO COME FROM PHOSPHATE EXPORT TAX. TO ACHIEVE THIS LEVEL, PHOSPHATE EXPORTS MUST BE 2.5 MILLION TONS THIS YEAR.

3. TAXES ON INCOME AND PROFITS ARE PLACED AT JD 12.4 MILLION, OR OVER TWICE THE 1974 LEVEL. ACCORDING TO GOJ'S BUDGET DIRECTOR, OBAID, THE INCREASE IS BASED ON HIGHER PROFITS OF GOJ-OWNED PHOSPHATE COMPANY. THE INCOME TAX LAW WAS RECENTLY AMENDED TO PROVIDE NEW AND LARGER EXEMPTIONS WHICH PRIMARILY BENEFIT LOWER INCOME WORKERS. ACCORDING TO OBAID, TOTAL REVENUES FROM THE INCOME TAX SHOULD REMAIN NEAR THE 1974 LEVEL BECAUSE OF STRICTER ENFORCEMENT, HOWEVER.

4. BUDGET SUPPORT FROM OTHER COUNTRIES IS EXPECTED TO ACCOUNT FOR 39 PERCENT OF TOTAL GOJ REVENUES, DOWN RELATIVE TO RECENT GOJ BUDGETS. KUWAIT AND SAUDI PAYMENTS ARE ESTIMATED AT THE PREVIOUS YEARS' LEVELS (KHARTOUM SUBSIDIES), BUDGET SUPPORT FROM "OTHER" COUNTRIES IS PROJECTED AT JD 10 MILLION, BUT NO COUNTRY HAS YET AGREED TO PROVIDE THIS AMOUNT, ACCORDING TO OBAID. PM EARLIER EXPLAINED TO AMBASSADOR THAT SAUDI GIFT OF \$57 MILLION (REF. B) WOULD BE USED TO COVER MUCH OF THIS SHORTFALL AND BUDGET DEFICIT OF JD11.9 MILLION. RABAT PAYMENTS ARE EARMARKED FOR MILITARY PROJECTS AND EQUIPMENT AND TO REPAY PRIVATE LOSSES FROM 1970 CIVIL WAR, ESTIMATED AT AROUND JD 10 MILLION. OBAID NOTED PROCESSING CLAIMS FOR FARM LOSSES NEARING COMPLETION.

5. EXPENDITURES: CURRENT EXPENDITURES ARE UP 12 PERCENT FROM 1974. LARGEST CATEGORY, ARMED FORCES, UP 8 PERCENT FROM LAST YEAR, BUT THIS DOES NOT INCLUDE CAPITAL SPENDING. CIVIL SERVICE SALARIES AND ALLOWANCES PLACED AT JD 46 MILLION, UP 11 PERCENT FROM LAST YEAR. THIS DOES NOT INCLUDE RAISES OF FROM JD 5-10 PER MONTH FOR CIVIL SERVANTS. THESE INCREASES, EFFECTIVE 2/1/75, ARE EXPECTED TO ADD JD 3.5 MILLION TO THIS ITEM. MILITARY PAY INCREASES, ALSO EFFECTIVE FEB. 1, INCLUDED IN ARMED FORCES ALLOCATION, ACCORDING TO OBAID.

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6. "EMERGENCY EXPENDITURES" ARE UP 28 PERCENT FROM LAST YEAR TO JD 9.5 MILLION. ACCORDING TO OBAID, JD 6.5 MILLION IS TO COVER SUBSIDIES FOR SUGAR AND WHEAT-FLOUR. PART OF REMAINING BALANCE TO GO FOR SALARIES OF CIVIL SERVANTS IN WEST BANK.

7. DEVELOPMENT AND ORDINARY CAPITAL EXPENDITURES LAST YEAR TOTALED JD 21.8 MILLION, INCLUDING OBLIGATIONS

CARRIED FORWARD. THESE EXPENDITURES IN 1975 BUDGET
UP SHARPLY TO JD 42.3 MILLION. GIVEN USUAL SHORTFALLS
IN CAPITAL SPENDING, IT SEEMS UNLIKELY THIS AMBITIOUS
TARGET WILL BE REACHED. 8. PART II OF BUDGET INCLUDES
REVENUES AND EXPENDITURES FOR DEVELOPMENT PROJECTS WHICH
ARE NOT UNDERTAKEN UNLESS OUTSIDE FINANCING IS SECURED.
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